

CME Group Launches Credit Default Swaps Initiative; Begins Clearing Trades

CHICAGO, Dec 15, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- CME Group, the world's largest and most diverse derivatives marketplace, today announced that with the necessary regulatory approvals in place, it has begun clearing credit default swaps (CDS) through CME Clearing. On its first day of clearing, CME Group cleared both dealer to customer and interdealer CDS trades.

"Working closely with market participants on both the buy side and sell side we have begun to successfully clear CDS trades," said Laurent Paulhac, Managing Director, OTC Products and Services, CME Group. "We believe our solution is the most comprehensive credit default swap solution available and brings together a broad range of participants who support our offering."

"BlackRock will clear CDS based on the segregation and portability of customer collateral and the operational benefits provided by CME," said Richard Prager, Global Head of Fixed Income Trading, BlackRock. "We are pleased with the progress made with respect to ensuring transparency by leveraging the CME's proven risk management practices. We are excited that CME has launched its CDS clearing service and look forward to further participation."

"Our firm supports the development of clearing solutions which address the primary concerns of the investor community, which are the reduction of counterparty risk and development of regulatory regimes which protect customer margin and allow for trade portability following a dealer default," said Ted MacDonald, Treasurer of the D. E. Shaw group. "In this regard, we welcome the ability of our dealer counterparties to clear CDS transactions through a clearinghouse with both significant capital backing up trades and dedicated reserves which could be accessed by the other dealers should a clearing member default."

"The advent of central clearing of CDS for clients is a significant milestone and underscores the dealer community's commitment to help bring central clearing to investors," said Paul Mitrokostas, Chief Operating Officer, Credit Trading Barclays Capital. "We look forward to introducing our clients to the significant benefits of central clearing."

"The CDS market continues to make enormous progress with respect to the reduction of operational and systemic risk," said James Hill, Managing Director and Global Credit Derivatives Officer at Morgan Stanley. "Providing clients with access to clearinghouses for CDS transactions is a very important step in this evolution and we are happy to have worked closely with the CME, the dealer community and buy side firms to make this happen."

CME Group's cleared-only CDS initiative, which was jointly developed with its founding members, offers both buy-side and dealer market participants the ability to clear CDS. The dealer founding members are Barclays Capital, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P. Morgan, Morgan Stanley, and UBS. The buy-side founding members are AllianceBernstein, BlackRock, BlueMountain Capital Management, Citadel, the D. E. Shaw Group and PIMCO. In addition, Bank of America Merrill Lynch and Nomura Group are CDS clearing member firms.

CME's clearing solution provides participants with an open-access clearing solution for over-the counter credit default swaps, is based upon cleared CDS products that will mirror OTC market conventions and practices and incorporates the proven benefits of CME Group's clearing model.

Additional information can be found at www.cmegroup.com/cds.

As the world's largest and most diverse derivatives marketplace, CME Group (www.cmegroup.com) is where the world comes to manage risk. CME Group exchanges offer the widest range of global benchmark products across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, weather and real estate. CME Group brings buyers and sellers together through its CME Globex(R) electronic trading platform and its trading facilities in New York and Chicago. CME Group also operates CME Clearing, one of the largest central counterparty clearing services in the world, which provides clearing and settlement services for exchange-traded contracts, as well as for over-the-counter derivatives transactions through CME ClearPort(R). These products and services ensure that businesses everywhere can substantially mitigate counterparty credit risk in both listed and over-the-counter derivatives markets.

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